Trade Subcommittee Chairman Kevin Brady, Committee on Ways & Means

Hearing on the U.S.-China Economic Relationship

October 25, 2011

The United States has many frustrations with the U.S.-China economic relationship, but China remains among the most important U.S. export markets. Last year U.S. companies exported more than $90 billion worth of American goods to China. U.S. exports to China increased by 32 percent in 2010, whereas exports to the rest of the world increased by only half that rate. And since 2000, U.S. exports to China have increased *eight times* faster than U.S. exports to the rest of the world. Those exports translate to U.S. jobs.

Sustaining this growth is critical to the President's efforts to double exports. But a number of pernicious barriers are inhibiting U.S. companies from exporting to and investing in China. These restrictions reduce U.S. exports and cost the United States good-paying jobs. When U.S. companies are able to compete on a level-playing field, they win, but they can't if they are never given the chance.

The list of Chinese barriers is long and includes: WTO-inconsistent subsidies such as directed lending policies and the provision of land, electricity, raw materials, and other goods at below cost; China's theft of U.S. intellectual property rights; China's protection certain sectors from competition through various investment restrictions; restraints on the export of raw materials and rare earth minerals; various and sundry regulatory barriers; unscientific restrictions on U.S. agriculture exports; and of course its closed capital account and the undervaluation of the RMB.

I look forward, in particular, to hearing from the Administration on what it believes Congress should or should not do to address these barriers. Last year, in testimony before this Committee, Secretary Geithner set forth a two-part test: any legislation must be (i) effective and (ii) consistent with our international obligations. I think that test perfectly articulates the standard that we should use to evaluate any legislative proposals, including proposals to address China's currency policy, such as H.R. 639 or S. 1619. I look forward to hearing from the Administration as to whether it believes that legislation satisfies Secretary Geithner's test.

Last year I voted against currency legislation because I did not believe that it satisfied that test. I oppose the current Senate bill for the same reason. Let me be clear. There is no doubt that China's currency policy is a problem. However, legislation may not be the best solution. The Administration's input on the value of legislation is important, and I expect it to provide such input at this hearing.

In my view, some of the most effective tools for addressing these concerns are through multilateral engagement with China. While the United States should never hesitate to file a WTO case, where appropriate, its efforts are often greatly enhanced through the development of a coalition. A great example of this is the strong cooperation between the United States, the European Union, and Japan on China's export restraints. The United States and the European Union filed a case together at the WTO against China's restraints on certain minerals. They secured a significant victory at the WTO dispute settlement panel stage and are working together closely to respond to China's appeal. Similarly, the United States, the EU, and Japan have worked closely together to bring multilateral pressure on China to remove its export restraints on rare earth minerals. This has resulted in meaningful progress, although the issue remains unresolved.

Multilateral engagement should also take place through APEC and the G20. These are important forums for raising our concerns, along with our allies. Next month, the President will host APEC in Hawaii. I look forward to hearing from the Administration about how it intends to use this meeting to advance its agenda.

The United States has made good progress through various bilateral mechanisms as well. I'm looking forward to how the Administration is working to make our bilateral engagement with China more effective, including through the Strategic & Economic Dialogue (S&ED) and the Joint Commission on Commerce and Trade (JCCT).

We are watching implementation of commitments made through the JCCT and the S&ED very closely. Many U.S. companies have expressed concerns that China has stalled or not fully implemented its commitments in a timely manner. I very much share those concerns. It is also important that we measure progress not simply by the number of barriers removed but also the effect on U.S. companies' ability to do business in China. The real proof of success will be in new market access by U.S. companies, and the resulting sales that are created.

Finally, I think it is important to reiterate that our approach to China should not be to erect new protectionist barriers to match China, but rather, to tear down China's barriers. We will never win a battle to "out-protectionist" China. Rather, we must continue – and enhance – our efforts to tear down China's walls to U.S. exports and investment.